

PETITIONER: § **BEFORE THE**
STAFF OF THE TEXAS § **COMMISSIONER OF INSURANCE**
DEPARTMENT OF INSURANCE §

**PETITION FOR ADOPTION OF AMENDATORY MANDATORY ENDORSEMENTS,
MANDATORY OFFER ENDORSEMENTS, AND AMENDMENTS TO THE TEXAS
PERSONAL LINES MANUAL RULES TO MODIFY COVERAGE FOR MOLD AND
OTHER FUNGI; AND AMENDMENTS TO THE TEXAS STATISTICAL PLAN
FOR RESIDENTIAL RISKS**

The Staff of the Texas Department of Insurance files this petition proposing: (1) adoption of new amendatory mandatory endorsements to certain residential property insurance policies; (2) adoption of new mandatory offer endorsements to certain residential property insurance policies; (3) amendments to the policy writing rules of the Homeowners and Dwelling Sections of the Texas Personal Lines Manual (Manual); (4) adoption of two new rating rules and attendant rating examples in the Manual; and (5) adoption of amendments to the Texas Statistical Plan for Residential Risks (Residential Statistical Plan). These proposed new endorsements and Manual changes are designed to modify current coverage for mold or other fungi losses that are ensuing losses resulting from covered water damage, to provide coverage for ensuing mold or other fungi losses resulting from water damage through mandatory offer endorsements that have special limits of liability (such coverage is referred to herein as mold coverage or mold claims or losses), and to establish, for rate regulated companies, a premium charge for the mandatory offer coverage. These new endorsements and Manual changes also require amendments to the Residential Statistical Plan to capture data

that reflects mold losses because such data is currently aggregated with the data for other causes of loss.

The Insurance Code, Articles 5.35, 5.96, and 5.98 authorize the filing of this petition and the action requested of the Commissioner. Art. 5.35 authorizes the Commissioner to adopt policy forms and endorsements for certain lines of insurance, including homeowners insurance. Article 5.96 allows the commissioner to, among other things, promulgate, adopt, or amend standard and uniform manual rules, rating plans, and policy and endorsement forms for fire and allied lines insurance (which includes homeowners insurance) pursuant to the procedures specified under that article; Article 5.96 also provides that the Administrative Procedure Act does not apply to action taken under that article. Article 5.98 allows the agency to adopt reasonable rules that are appropriate to accomplish the purposes of Chapter 5, Texas Insurance Code.

The Commissioner of Insurance will consider the proposal in a public hearing under Docket No. 2498 on October 16, 2001 at 9:00 a.m., in the LBJ Library Auditorium, 2313 Red River, in Austin, Texas.

Based upon various considerations, including comments received and the Commissioner's review of those comments, the endorsements, Manual rules, and amendments to the Residential Statistical Plan as proposed may be revised in whole or in part when finally adopted.

I. Introduction of Proposal for Consideration and Adoption

Staff proposes the consideration and adoption of nine amendatory mandatory endorsements which will be required to be attached to certain residential property insurance policies: (1) Endorsement No. HO-161A which will be attached to Texas Homeowners Form-A (HO-A), (2) Endorsement No. HO-162A which will be attached to Texas Homeowners Form-B (HO-B), (3) Endorsement No. HO-163A which will be attached to Texas Homeowners Form-C (HO-C), (4) Endorsement No. HO-164A which will be attached to the Texas Homeowners Tenant Policy–Form B (HO-BT), (5) Endorsement No. HO-165A which will be attached to the Texas Homeowners Condominium Policy-Form B (HO-B-CON), (6) Endorsement No. HO-166A which will be attached to the Texas Homeowners Tenant Policy–Form C (HO-CT), (7) Endorsement No. HO-167A which will be attached to the Texas Homeowners Condominium Policy-Form C (HO-C-CON), (8) Endorsement No. TDP-004A which will be attached to the Texas Dwelling Policy-Form 1 (TDP-1) and the Texas Dwelling Policy-Form 2 (TDP-2), and (9) Endorsement No. TDP-005A which will be attached to the Texas Dwelling Policy–Form 3 (TDP-3). These proposed endorsements are more particularly set forth in Exhibits A through I which are attached hereto and made a part hereof for all purposes.

Staff proposes the consideration and adoption of nine mandatory offer endorsements which may be attached to certain residential property policies: (1) Endorsement No. HO-161 which may be attached to Texas Homeowners Form-A (HO-A), (2) Endorsement No. HO-162 which may be attached to Texas Homeowners Form-

B (HO-B), (3) Endorsement No. HO-163 which may be attached to Texas Homeowners Form-C (HO-C), (4) Endorsement No. HO-164 which may be attached to the Texas Homeowners Tenant Policy–Form B (HO-BT), (5) Endorsement No. HO-165 which may be attached to the Texas Homeowners Condominium Policy-Form B (HO-B-CON), (6) Endorsement No. HO-166 which may be attached to the Texas Homeowners Tenant Policy–Form C (HO-CT), (7) Endorsement No. HO-167 which may be attached to the Texas Homeowners Condominium Policy-Form C (HO-C-CON), (8) Endorsement No. TDP-004 which may be attached to the Texas Dwelling Policy-Form 1 (TDP-1) and the Texas Dwelling Policy-Form 2 (TDP-2), and (9) Endorsement No. TDP-005 which may be attached to the Texas Dwelling Policy–Form 3 (TDP-3). These proposed endorsements are more particularly set forth in Exhibits J through R which are attached hereto and made a part hereof for all purposes.

Staff proposes the consideration and adoption of two policy writing Manual rules: (1) Rule IV-A, “Section I Mandatory Offer Endorsements” in the Homeowners Section of the Personal Lines Manual, and (2) Rule IV, “Mandatory Offer Endorsements” in the Dwelling Section. These rules specify the percentages of mold coverage that are available for purchase by the insured and the required procedures for the insurers to phase in the new mold coverage endorsements. These proposed rules are more particularly set forth in Exhibits S and T which are attached hereto and made a part hereof for all purposes.

Staff proposes the consideration and adoption of two rating rules in the Manual: Rating Rule VI–O for Homeowners, Tenants, and Condominium Policies and Rating Rule VI-L for Dwelling, Additional Extended Coverage, and Physical Loss Form. These rating rules will be used in calculating the applicable premium for mandatory offer ensuing mold and other fungi coverage. Staff also proposes the consideration and adoption of attendant rating examples in the Homeowners and Dwelling Sections of the Manual. These proposed rules and examples are more particularly set forth in Exhibits U through X which are attached hereto and made a part hereof for all purposes.

Staff proposes the consideration and adoption of conforming amendments to the coding section, premiums section, and losses section of the Residential Statistical Plan, which amendments are more particularly set forth in Exhibit Y that is attached hereto and made a part hereof for all purposes.

II. Background and Justification

The current proposed action had its genesis in a large and unprecedented proliferation of mold claims against Texas homeowners policies in recent months. This has been due in part to the fact that Texas provides the most expansive coverage, of all the states, for water damage and any ensuing mold and fungi losses. Texas also leads the nation as the most costly venue for homeowners insurance. This currently is due to the generous coverage for water damage losses as well as extreme weather-related losses. Following recent substantial increases in the frequency and severity of water

damage claims with an ensuing mold loss component, the Department received insurance company filings for approval to use homeowners and dwelling endorsements which would either totally or partially exclude coverage for mold as an ensuing loss without an option to buy back the excluded or limited coverage. In response to extreme levels of concern from policyholders and insurance companies generated by these claims and losses, the Department engaged in careful, comprehensive, and deliberate efforts to gather information and address all the relevant issues related to mold coverage. The Commissioner convened a series of informational hearings in Austin, Corpus Christi, and Houston on mold coverage in general (Docket No. 2487). As part of this information gathering, the Commissioner has received comments and data from a wide variety of sources, including individual insureds, the insurance industry, consumer groups, governmental agencies (including the Texas Department of Health, the U.S. Environmental Protection Agency, and the National Flood Insurance Program), the scientific community, medical doctors, and the mortgage lending, real estate, and building trades and industries.

The industry estimates additional rate increases of 40 percent or more if the current ensuing mold damage coverage is not changed. Consumers have also recognized that mold coverage is costly. Many have told the department that they are willing to pay increased premium for some mold coverage in the basic homeowners policy. An even greater number asked that the Department refrain from eliminating mold coverage entirely.

In addition, on July 30, 2001, the Property and Casualty Actuarial Division issued a data call to the five largest insurance groups that collectively write the bulk of residential property insurance in Texas, requesting statistical data on mold losses by August 31. The data allowed the department to gauge, in part, the magnitude of mold losses in the state, including the frequency and severity of claims and how rapidly the class of mold claims is increasing. In the interim, several companies announced plans to take action on their own to address the situation, including ceasing to write the HO-B policy, an all risk policy for the dwelling which currently constitutes 96% of the homeowners policies issued in Texas, ceasing to write new business altogether, or adjusting underwriting guidelines with regard to policyholders with water losses in the past three years. The Commissioner of Insurance responded by asking the industry not to take drastic action, but rather to give the Department an opportunity to propose a solution.

Regarding the data call issued by the Property and Casualty Actuarial Division, all five groups responded to the data call but only three have been able to provide all the data requested at this time. These three groups account for approximately 65% of the homeowners insurance market in Texas.

The data received in this call clearly shows that the number of ensuing mold claims has risen exponentially over the last 18 months. In the course of a year and a half, claim frequency (i.e. the number of claims per thousand policies insured) has grown more than sixfold, from 1.6 to 10.8. Furthermore, the cost of the average mold

claim is approximately \$18,000, which is 4.7 times the cost of an average homeowner's claim and 5.6 times the cost of an average non-mold water damage claim. The frequency and severity of these mold claims point to the likelihood of sizeable increases in homeowners insurance rates. Additionally, since it is unclear when the number of mold claims will level off, consumers may face double digit rate increases for the next several years if mold coverage is left unchanged. As previously noted, Texas already has the highest premiums for homeowners insurance in the nation. Continued, significant increases in premiums for the next several years could make homeowners insurance unaffordable for many Texans. This possibility is of particular concern because approximately 95% of the homeowners business is written by companies that by law are not rate regulated.

An analysis of mold claims by rating territories indicates that there are significant regional differences in claim frequency; i.e., certain parts of Texas are more likely to have mold claims than others. For example, the average number of mold claims per thousand policies insured in Territory 7 (El Paso County) was .06 per 1,000 while in Territory 9 (Nueces County) the frequency was 13.2 per 1,000. Differences also exist among neighboring territories. For example, the average cost per policy for mold claims \$5,000 and greater in Nueces County (rating territory 9) has been \$520. In rating territories 10 and 11 that border Nueces County, the average cost per policy for similar mold claims has been \$165. Therefore, the average cost per policy for mold claims in Nueces County is greater by a factor of three than in the neighboring rating territories.

Hence, the adoption of the mandatory offer mold coverage endorsements may prevent insureds in certain areas of the state from subsidizing insureds in other areas.

Staff's proposed mandatory amendatory endorsements would provide a \$5,000 base level of mold coverage in the homeowners and dwelling policies. A breakdown of mold claims by size of loss shows that while small claims account for the majority of the mold claims, they account for a small portion of the total loss. More than half of these claims are below \$5,000 but they account for less than one-tenth of the total losses. As such, a basic coverage of \$5,000 built into the policy would be sufficient to cover a significant portion of mold claims but should not have a substantial impact on rates. Additionally, the costs of testing and loss of use are proposed to be included within the \$5,000 limitation as a cost-containment measure. If these costs were not included in the \$5,000 limitation, it would likely result in higher rates for all insureds.

An issue that appears to be unique to mold claims is the unusually high number of multiple, simultaneous claims associated with a single policy which may require a carrier to pay more than the stated policy limits for a dwelling damage claim when there are multiple causes of loss that have not been repaired (a situation which is commonly referred to as "stacking"). If a peril such as fire or a tornado were to destroy a home, an insured is entitled to recover no more than the policy limits. However, because of the "stacking" problem associated with mold claims, some claimants have recovered claim amounts far in excess of policy limits. It seems reasonable that the maximum amount available to a claimant should be the same regardless of the cause of loss. Therefore,

staff has proposed limiting the amount paid for ensuing mold losses regardless of the number of losses that occur during the policy period.

As a result of the Department's concerns regarding the availability and affordability of residential property insurance in Texas, staff believes that it is necessary to offer consumers some basic mold coverage in the residential policies with options to purchase additional coverage amounts for mold losses ensuing from covered water damage losses. By placing the proposed limitations on mold coverage, staff believes that the availability and affordability of residential property insurance can be maintained. However, insurers will be required to offer a mold coverage endorsement to each applicant or insured that an insurer elects to write, so that some level of mold coverage will be available. Since mold coverage, with the exception of the basic coverage, will be offered through a mandatory offer endorsement, the cost of mold claims will be borne by those insureds who elect to purchase the coverage and not by the insureds who do not want the coverage.

III. Endorsements and Amendments to Policy Language and Policy Writing Manual Rules

A. Current Coverage for Mold Damage Due to Covered Water Loss

Texas Homeowners Policies (HO-B, HO-C, HO-CT, and HO-C-CON) and the Texas Dwelling Policy (TDP-3) contain an exclusion that excludes loss caused by, among other things, mold or other fungi. However, this exclusion does not apply to

ensuing mold or other fungi losses caused by water damage if the water damage loss would otherwise be covered under the policy. Texas Homeowners Policies (HO-A, HO-BT, HO-B-CON) and Texas Dwelling Policies (TDP-1 and TDP-2) are named peril policies and do not exclude loss caused by mold or other fungi. Therefore, the Texas Homeowners Policies and Texas Dwelling Policies provide coverage on dwellings and/or their contents for ensuing mold or other fungi losses, provided the underlying loss causing the ensuing mold or other fungi damage is a covered cause of loss under the policy. This coverage includes the cost that is necessary to repair or replace property covered under the policy that is damaged by the ensuing mold or other fungi. In addition, the Texas Homeowners Policies and the Texas Dwelling Policy (TDP-3) provide 20% of the Coverage A (Dwelling) limit of liability for any necessary and reasonable increase in living expense that is incurred to maintain a normal standard of living if a covered ensuing mold or other fungi loss makes the residence premises wholly or partially untenable.

B. Amendatory Mandatory Endorsements

Staff's petition proposes nine new amendatory mandatory endorsements. Under Staff's proposal, the attachment of one of the proposed amendatory endorsements (HO-161A, HO-162A, HO-163A, HO-164A, HO-165A, HO-166A, HO-167A, TDP-004A, or TDP-005A) to the appropriate homeowners or dwelling policy amends the policy to modify current coverage for mold or other fungi losses that are ensuing losses resulting

from covered water damage to provide a \$5,000 base level of mold coverage in the homeowners and dwelling policies with specific limitations on the maximum amount the insurer will pay for the sum of all losses during the policy period. The limitations on mold coverage specified in the proposed endorsements do not affect any water damage coverage provided elsewhere in the policies. The policy modifications are described in more detail as follows:

1. The Exclusions portion of the HO-B, HO-C, HO-CT, HO-C-CON, and TDP-3 policies (where there is currently a mold exclusion) is amended to delete the words “mold or other fungi” from the current mold exclusion.

2. In the Exclusions portion of the HO-A, HO-B, HO-C, HO-BT, HO-B-CON, HO-CT, HO-C-CON, TDP-1, TDP-2, and TDP-3 policies a new exclusion is added to exclude loss caused by or resulting from mold or other fungi.

3. In addition to the exclusionary language in the new exclusions, there are several other provisions that provide limited mold coverage, as follows:

- a. There is an ensuing loss provision which requires that if mold or other fungi losses are the result of a covered water loss, the mold loss would be covered as an ensuing loss.

- b. In the HO-A, HO-B-CON, TDP-1, and TDP-2 there is a provision that provides the exclusion does not apply to an ensuing loss caused by water damage resulting from fire, smoke, or explosion.

c. There is a coverage provision that provides payment for reasonable and necessary expenses up to \$5,000 to remediate, test, repair, or replace covered property damaged by mold or other fungi if the mold or other fungi results from a loss caused by a covered water loss. The \$5,000 coverage includes payment for additional living expenses.

d. There is a loss settlement provision which provides that the insurer's limit of liability for mold or other fungi losses is \$5,000 regardless of the number of losses that occur during the policy period stated on the declarations page.

e. There is a provision that defines "remediate" as the treatment, removal, or disposal of mold or other fungi as required to complete the repair or replacement of covered property, including the testing required to evaluate levels of mold or other fungi.

f. There is an additional insurance provision which specifies that the \$5,000 in mold coverage is additional insurance that does not reduce the limit(s) of liability under the policy.

C. Mandatory Offer Endorsements

Staff's petition proposes nine new mandatory offer endorsements that allow consumers to purchase, for an additional premium, a specified percentage of mold or other fungi coverage. Under Staff's proposal, the attachment of one of the proposed mandatory offer endorsements (HO-161, HO-162, HO-163, HO-164, HO-165, HO-166,

HO-167, TDP-004, and TDP-005) to the appropriate homeowners or dwelling policy would provide greater limits of coverage for mold or other fungi coverage as an ensuing loss from a covered water claim. The limitations on mold coverage specified in the proposed endorsements do not affect any water damage coverage provided elsewhere in the policy.

These endorsements specify that the mold exclusion contained in the policy is amended to the extent that coverage is provided in the endorsement and for an included additional premium the limit of coverage for mold is increased (above the \$5,000 included in the policy) by the limits of liability shown on the declarations page. The endorsements further specify the coverage provisions, loss of use provisions, and loss settlement provisions that apply to mold coverage, as follows:

1. Coverage Provisions.

- a. The insurer agrees to pay the reasonable and necessary expenses to remediate, repair, or replace property described on the declarations page (25%, 50%, or 100%) of the limits applicable to Coverage A (Dwelling) and Coverage B (Personal Property) for loss caused by ensuing mold or other fungi caused by covered water damage (This coverage only applies to Coverage B (Personal Property) for the HO-164, HO-165, HO-166, and HO-167).

- b. The maximum limit of liability for this mold coverage is shown on the declarations page. The coverage purchased in this endorsement is not additional

insurance that increases the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. Loss of Use Provisions.

a. In the event a loss caused by ensuing mold or other fungi that is covered under these endorsements makes the residence wholly or partially untenantable, the insurer will pay the additional living expenses if coverage is provided under the basic policy so that the household can maintain its normal standard of living and/or the fair rental value of the residence premises usually rented to others by the insured, less any expenses that do not continue.

b. The total limit of liability for all loss of use is included in the maximum limit of liability for loss of use coverage for the sum of all losses regardless of the number of losses that occur during the policy period as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

c. The payment for loss of use will be for the reasonable time required to remediate, repair, or replace the damaged property. If the insured permanently relocates, the payment will be for the reasonable time required for the household to become settled.

d. The periods of time for loss of use are not limited by the expiration of the policy.

3. Loss Settlement Provisions.

This provision specifies that an insurer's limit of liability for mold losses covered under items 1 and 2 of this endorsement is the maximum amount the insurer will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

4. General Provisions.

a. There is a general provision containing the definition of the term "remediation" that applies to the entire endorsement which defines this term as the treatment, removal, or disposal of mold or other fungi as required to complete the repair or replacement of covered property, and the testing required to evaluate levels of mold or other fungi.

b. There is also a general provision that all other terms of the policy apply.

C. Manual Rules-Policy Writing Sections

Staff's petition proposes two new policy writing Manual rules: (1) Rule IV-A, "Section I Mandatory Offer Endorsements" is to be added in the Homeowners Section, (2) Rule IV, "Mandatory Offer Endorsements" is to be added in the Dwelling Section. These rules provide that insurers are required to offer the Mold or Other Fungi Endorsement to all applicants at the time of application for insurance. Further, if an expiring policy does not provide mold or other fungi coverage the insurer is required to provide the coverage at the time of renewal upon request of the insured. To ensure a smooth and effective phase-in of these new ensuing mold coverage endorsements,

insurers will be required to offer the Mold or Other Fungi Endorsement upon the first renewal after the effective date of the endorsements without requiring the insured to make a request for the coverage. These rules also provide that the mandatory offer Mold or Other Fungi Endorsement may be attached to a residential property policy to provide a selected percentage of mold coverage (25%, 50%, or 100% of the limits applicable to Coverage A (Dwelling), Coverage B (Personal Property), and Loss of Use) and that all coverage limits must be offered to each applicant or insured. An illustrative example is included to demonstrate the effect that the elected percentage of coverage has on the limits of liability for the mold coverage.

IV. Rating Rules and Amendments to the Residential Statistical Plan

A. Rating Rules.

Staff proposes the consideration and adoption of new rating rules in each of the Homeowners and Dwelling Sections of the Manual. Rating Rule VI-O for Homeowners, Tenants, and Condominium Policies and Rating Rule VI-L for Dwelling, Additional Extended Coverage, and Physical Loss Form are proposed to be used in calculating the applicable premium for mandatory offer mold and other fungi coverage. Staff proposes three options which will provide, for an additional premium, additional coverage for mold and other fungi above the \$5,000 in coverage included in the basic policy. In each case, the limits of coverage for the additional mandatory offer mold coverage are expressed as a percentage of the insured's policy limits (25%, 50%, or 100% of the

limits applicable to Coverage A (Dwelling), Coverage B (Personal Property), and Loss of Use).

The Department's actuarial staff developed the proposed rating factors for homeowners in a three step process. In the first step staff analyzed the data received from the special Mold Data Call. Staff calculated ratios of claim costs in excess of \$5,000 per claim to the Coverage A limits applicable to each claim. Staff then capped these ratios at each of the coverage levels provided for in the proposed endorsements and summed them in order to determine the costs under the coverage options relative to costs under the existing system.

In many cases, insureds with homeowners coverage could actually collect up to 1.8 times their Coverage A limit because the underlying policy may provide a separate limit for Coverage B Personal Property (with the purchase of HO-101 Replacement of Personal Property) equal to 60% of the Coverage A limit, and 20% of the Coverage A limit for additional living expenses. To account for the possibility for insureds to collect up to 1.8 times their Coverage A limit, staff capped the ratios at an amount 1.8 times greater than the coverage option limit. Using the 25% option as an example, the ratios were calculated and capped at 25% of the coverage A limit and also at 45% of the Coverage A limit ($25\% \times 1.8 = 45\%$).

The Department's actuarial staff performed this analysis using different assumptions. In one analysis, the staff defined claims costs as being the sum of incurred loss and allocated loss adjustment expenses (ALAE). In another analysis, the

staff used incurred losses only, excluding ALAE. The reason for these two analyses was that while some ALAE may be strictly mold related (for example, air quality testing), others may be related to the underlying water claims. Staff believed that the most accurate answer would be somewhere in between. Staff also noted from the data submitted under the special Mold Data Call that multiple water damage incidents might be associated with a single manifestation of mold, resulting in the so-called “stacking” of policy limits. While the proposed endorsements would curtail the stacking of policy limits, it would still be possible to stack when separate water damage incidents occur in different policy periods. The most accurate answer would again be somewhere in between. Therefore, staff repeated the analyses with and without an adjustment to combine the multiple claims associated with remediation of the same mold infestation. These analyses produced a total of four estimates for each coverage option.

Next, the staff estimated the added cost of mold-related claims relative to the new homeowners benchmark rates that become effective November 1, 2001, for policies written in 2002, if the proposed endorsements were not adopted. In this regard it should be noted that those benchmark rates were based on experience through September 30, 1999 and, given the results of the special Mold Data Call, staff believes that that experience reflected few if any mold-related claims.

Based on a review of the trends and levels of costs indicated by the experience results of the special Mold Data Call, coupled with overall experience reported to the Department’s statistical agent by the company groups that submitted the mold-related

claim data, the Department's actuarial staff estimated that overall homeowners losses would likely increase by 50% due to mold-related claims if there were no change in existing coverage. Given that result, staff applied the 50 percentage point increase in costs to the four estimates of cost under the existing system that had been calculated in the first step for each of the coverage options. Staff then averaged the results for each coverage option to obtain a final selected indication. This produced an estimated statewide average cost for the first coverage option (25% of policy limits) of 20% of homeowners rates reflecting the \$5,000 basic coverage. The costs for the other two options (50% and 100% of policy limits) were estimated at 27% and 33%, respectively, of homeowners rates reflecting the \$5,000 basic coverage.

Finally, actuarial staff accounted for geographical differences in the incidence and cost of mold-related claims under homeowners coverage. The average cost of mold-related claims per policy in each rating territory was compared to the statewide average in order to calculate an indicated ratio or relativity to statewide. Based on these results staff combined territories into several groups. Staff then credibility weighted these results with the statewide average based on the number of underlying claims and balanced the results back to the statewide totals. The staff then applied the average credibility weighted relativity for each group of territories to the statewide average cost for each option at the homeowners benchmark base rate level to obtain the estimated base rate level costs for each group of territories. Staff then divided the

results by the average benchmark base rate for each group of territories to obtain the final rating factors for each coverage option.

The homeowners policy form HO-A does not provide coverage for water damage unless such damage is the result of some other covered peril such as wind, hurricane, or hail. Since the coverage afforded for water damage provided under the HO-A policy is restricted, applying the mandatory offer coverage rating factors developed for the other homeowners policy forms would produce excessive charges. The data obtained from the special Mold Data Call suggests that five to ten percent of mold claims result from covered perils other than water damage. Staff therefore proposes the charge for homeowners policy form HO-A to be ten percent of the premium otherwise determined by applying the factors calculated for the various groups of territories. An exception is noted in the proposed Rating Rule VI–O concerning the Additional Extended Coverage Endorsement HO-170 when attached to the HO-A policy. Since this endorsement adds direct water damage coverage, staff recommends that the full premium charge apply.

In order to calculate rating factors for other forms of residential property coverage (such as tenants and dwelling policies) the Department's actuarial staff, using the special Mold Data Call which concerned only homeowners coverage, expressed the anticipated cost of mold-related claims for homeowners under the existing coverage as a percentage of homeowners non-mold water damage losses. The staff then used this percentage to estimate the cost of mold-related claims for Tenants, Condominiums, Dwelling, Additional Extended Coverage, and Physical Loss Form. The homeowners

percentage of mold-related costs to non mold-related costs for water damage claims was applied to the water damage losses underlying the experience for each of the coverages reported to the Department's statistical agent by the company groups that submitted the mold-related claim data. The result was expressed as a ratio of the coverages' overall non mold-related losses.

The Department's actuarial staff used the same general approach it used for homeowners coverage; however, it recognized that the average policy limits for these other coverages are considerably lower than the policy limits for homeowners, and that this could affect the relative impact of the \$5,000 basic coverage on the mandatory offer coverage costs. In particular, the average policy limit in 1999 for tenants/condominiums was \$33,929 as compared to \$115,581 for homeowners. The corresponding average dwelling extended coverage policy limit was \$54,127. Therefore, to reflect these differences, the staff calculated the ratios of claim costs in excess of the basic coverage from the homeowners data using synthetic "basic coverage" amounts that bore the same relationship to the homeowners average policy limits as \$5,000 did to the other coverages' average policy limits. Staff did not reflect geographical variations in claims activity and costs differences in these calculations because that information specific to these coverages was not available.

The dwelling policy form TDP-1 does not provide coverage for water damage unless it is the result of some other covered peril such as wind, hurricane or hail. Water damage coverage for dwelling policies is only provided by additional extended coverage

and the physical loss form, neither of which are available to the TDP-1 policyholder. The mandatory offer mold coverage rating factors for dwelling policies staff calculated are to be applied to the rates for additional extended coverage and the physical loss form. Therefore, there is no immediate provision for any charge for the mandatory offer mold coverage for the TDP-1. The data obtained from the special Mold Data Call suggests that five to ten percent of mold claims may result from covered perils other than water damage, including fire and wind, hurricane, and hail, which are covered under the TDP-1. It is therefore reasonable that some charge be made. Given the experience reported under the special Mold Data Call and the fact that the statewide average indicated charges for homeowners policies were 20%, 27%, and 33% for mandatory offer limits of mold coverage of 25%, 50%, and 100%, respectively, staff proposes charges of 2%, 3%, and 4% of the TDP-1 premium for mandatory offer limits of mold coverage of 25%, 50%, and 100%, respectively.

B. Amendments to the Residential Statistical Plan.

Staff proposes the consideration and adoption of conforming amendments to the Coding section, Premiums section and Losses section of the Residential statistical Plan.

V. Comment Period

A copy of the petition, including exhibits with the full text of the proposed endorsements, amendments to the manual rules, amendments to the Residential

Statistical Plan, and a copy of the exempt filing notice are available for review on the Texas Department of Insurance internet website at www.tdi.state.tx.us and in the office of the Chief Clerk of the Texas Department of Insurance, 333 Guadalupe Street, Austin, Texas, and. For further information or to request copies of the petition and the exempt filing notice, please contact Sylvia Gutierrez at (512) 463-6327; refer to (Ref. No. P-0901-13-I).

To be considered, written comments on the proposed changes must be submitted no later than 5 p.m. on October 29, 2001, to Lynda H. Nesenholtz, General Counsel and Chief Clerk, Mail Code 113-2A, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104. An additional copy of the comments must be submitted simultaneously to Marilyn Hamilton, Associate Commissioner, Property and Casualty Division, Mail Code 104-PC, Texas Department of Insurance, P.O. Box 149104, Austin, Texas 78714-9104. While the public hearing will be held before the end of the comment period, no action will be taken by the Commissioner until after the expiration of the comment period.

This notification is made pursuant to the Insurance Code, Article 5.96, which exempts it from the requirements of the Government Code, Chapter 2001 (Administrative Procedure Act).

VI. Requested Action

Staff requests that the proposed new amendatory mandatory endorsements to certain residential property insurance policies, new mandatory offer endorsements to certain residential property insurance policies, amendments to the Homeowners and Dwelling Sections of the Texas Personal Lines Manual, and amendments to the Texas Statistical Plan for Residential Risks as set forth in the attached exhibits be adopted and applicable to policies effective on and after December 1, 2001.

Respectfully submitted,

Marilyn Hamilton
Associate Commissioner
Property and Casualty Division

Date: _____

EXHIBIT S
Texas Personal Lines Manual

HOMEOWNERS SECTION

IV. ~~Optional~~ Additional Coverages & Endorsements

When additional coverages or endorsements are added to the Texas Homeowners Policy, the endorsement must be attached to the policy. In addition the endorsement number, description, limit of liability (if applicable), and premium charge (if applicable) must be shown on the declarations page under Other Coverages and Endorsements.

A. Section I Mandatory Offer Endorsements

Mold or Other Fungi Endorsement - Shall be offered to all applicants at time of application for insurance. If the expiring policy does not provide mold or other fungi coverage, the coverage shall be provided upon request of the insured at policy renewal.* Coverage is available with limits of liability for 25%, 50% and 100% of Coverage A (Dwelling), Coverage B (Personal Property) and Loss of Use. All coverage limits shall be offered to each applicant or insured.

HO-161 is applicable to HO-A
HO-162 is applicable to HO-B
HO-163 is applicable to HO-C
HO-164 is applicable to HO-BT
HO-165 is applicable to HO-B-CON
HO-166 is applicable to HO-CT
HO-167 is applicable to HO-C-CON

EXAMPLE: HO-B policy with a 50% limit of liability for Mold or Other Fungi: Policy limits of \$100,000 Coverage A (Dwelling), \$60,000 Coverage B (Personal Property), and \$20,000 Loss of Use will have mold or other fungi limits of \$50,000 Coverage (A) Dwelling, \$30,000 Coverage B (Personal Property) and \$10,000 Loss of Use for loss caused by mold or other fungi.

***NOTE:** Current insureds shall be offered the Mold or Other Fungi Endorsement upon the first policy renewal after the effective date of this rule without having to make a request.

B. ~~A-~~ Section I Optional Endorsements

1. through 20. (No change)

C. ~~B-~~ Section II Optional Endorsements

1. through 7. (No change)

D. ~~C-~~ Section I & II Optional Endorsements

1. through 6. (No change)

**Endorsement No. HO-161A
Effective**

**EXHIBIT A
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-A only)**

SECTION – I EXCLUSIONS, Exclusion 6. is added to read as follows:

6. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- a. additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-161A, will automatically be withdrawn.

**Endorsement No. HO-162A
Effective**

**EXHIBIT B
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-B only)**

SECTION I – EXCLUSIONS, Exclusion 1. f. is amended to read as follows:

- f. We do not cover loss caused by:
- (1) wear and tear, deterioration or loss caused by any quality in property that causes it to damage or destroy itself.
 - (2) rust or rot.
 - (3) dampness of atmosphere, extremes of temperature.
 - (4) contamination.
 - (5) rats, mice, termites, moths or other insects.

We do cover ensuing loss caused by collapse of building or any part of the building, water damage or breakage of glass which is part of the building if the loss would otherwise be covered under this policy.

SECTION I – EXCLUSIONS, Exclusion 1. I. is added to read as follows:

- I. We do not cover loss caused by or resulting from mold or other fungi.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- (1) additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- (2) fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-162A, will automatically be withdrawn.

**Endorsement No. HO-163A
Effective**

**EXHIBIT C
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-C only)**

SECTION I – EXCLUSIONS, Exclusion 1. i. is amended to read as follows:

- i. We do not cover loss caused by:
- (1) wear and tear, deterioration or loss caused by any quality in property that causes it to damage or destroy itself.
 - (2) rust or rot.
 - (3) dampness of atmosphere, extremes of temperature.
 - (4) contamination.
 - (5) rats, mice, termites, moths or other insects.

This exclusion does not apply to loss caused by accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air conditioning system or household appliance. This includes the cost of tearing out and replacing any part of the building necessary to repair or replace the system or appliance.

We do cover ensuing loss caused by the collapse of building or any part of the building, water damage or breakage of glass which is part of the building, if the loss would otherwise be covered under this policy.

SECTION I – EXCLUSIONS, Exclusion 1. o. is added to read as follows:

- o. We do not cover loss caused by or resulting from mold or other fungi.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- (1) additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- (2) fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-163A, will automatically be withdrawn.

**Endorsement No. HO-164A
Effective**

**EXHIBIT D
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-BT only)**

SECTION I – EXCLUSIONS, Exclusion 6. is added to read as follows:

6. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- a. additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-164A, will automatically be withdrawn.

**Endorsement No. HO-165A
Effective**

**EXHIBIT E
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-B-CON only)**

SECTION I – EXCLUSIONS, Exclusion 6. is added to read as follows:

6. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- a. additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any or testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-165A, will automatically be withdrawn.

**Endorsement No. HO-166A
Effective**

**EXHIBIT F
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-CT only)**

SECTION I – EXCLUSIONS, Exclusion 1. i. is amended to read as follows:

- i. We do not cover loss caused by:
- (1) wear and tear, deterioration or loss caused by any quality in property that causes it to damage or destroy itself.
 - (2) rust or rot.
 - (3) dampness of atmosphere, extremes of temperature.
 - (4) contamination.
 - (5) rats, mice, termites, moths or other insects.

This exclusion does not apply to loss caused by accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air conditioning system or household appliance.

We do cover an ensuing loss caused by the collapse of building or any part of the building, water damage or breakage of glass which is part of the building, if the loss would otherwise be covered under this policy.

SECTION I – EXCLUSIONS, Exclusion 1. n. is added to read as follows:

- n. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- (1) additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- (2) fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-166A, will automatically be withdrawn.

**Endorsement No. HO-167A
Effective**

**EXHIBIT G
Homeowners Amendatory
Mandatory Endorsement
(Applicable to Form HO-C-CON only)**

SECTION I – EXCLUSIONS, Exclusion 1. i. is amended to read as follows:

- i. We do not cover loss caused by:
- (1) wear and tear, deterioration or loss caused by any quality in property that causes it to damage or destroy itself.
 - (2) rust or rot.
 - (3) dampness of atmosphere, extremes of temperature.
 - (4) contamination.
 - (5) rats, mice, termites, moths or other insects.

This exclusion does not apply to loss caused by accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air conditioning system or household appliance.

We do cover an ensuing loss caused by the collapse of building or any part of the building, water damage or breakage of glass which is part of the building, if the loss would otherwise be covered under this policy.

SECTION I – EXCLUSIONS, Exclusion 1. o. is added to read as follows:

- o. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the **residence premises** wholly or partially untenantable, the \$5,000 coverage includes payment for:

- (1) additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- (2) fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable homeowners coverage form. However, the amended language must be incorporated into the homeowners coverage form on or before _____ at which time this endorsement, HO-167A, will automatically be withdrawn.

**Endorsement No. HO-161
Effective**

**EXHIBIT J
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-A only)**

SECTION I - EXCLUSIONS, Exclusion 6. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I - PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage A (Dwelling) and Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Endorsement No. HO-162
EFFECTIVE**

**EXHIBIT K
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-B only)**

SECTION I – EXCLUSIONS, Exclusion 1. I. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage A (Dwelling) and Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

SECTION I – EXCLUSIONS, Exclusion 1. o. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage A (Dwelling) and Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the residence premises wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the residence premises usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Endorsement No. HO- 164
Effective**

**EXHIBIT M
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-BT only)**

SECTION I – EXCLUSIONS, Exclusion 6. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Endorsement No. HO- 165
Effective**

**EXHIBIT N
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-B-CON only)**

SECTION I – EXCLUSIONS, Exclusion 6. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Endorsement No. HO-166
Effective**

**EXHIBIT O
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-CT only)**

SECTION I - EXCLUSIONS, Exclusion 1. n. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Prescribed by the Texas Department of Insurance
Endorsement No. HO-166 – Mold or Other Fungi Endorsement
Effective**

**Endorsement No. HO- 167
Effective**

**EXHIBIT P
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form HO-C-CON only)**

SECTION I – EXCLUSIONS, Exclusion 1. o. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

SECTION I – PROPERTY COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the **residence premises** wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

EXHIBIT T
Texas Personal Lines Manual

DWELLING SECTION

IV. ~~[Optional]~~ Endorsements

When additional coverages or endorsements are added to the Texas Dwelling Policy, the endorsement must be attached to the policy. In addition the endorsement number, description, limit of liability (if applicable), and premium charge (if applicable) must be shown on the declarations page under Other Coverages and Endorsements.

Mandatory Offer Endorsements

Mold or Other Fungi Endorsement - Shall be offered to all applicants at time of application for insurance. If the expiring policy does not provide mold or other fungi coverage, the coverage shall be provided upon request of the insured at policy renewal.* Coverage is available with limits of liability for 25%, 50% and 100% of Coverage A (Dwelling), Coverage B (Personal Property) if applicable, Fair Rental Value if applicable, and Loss of Use if applicable. All coverage limits shall be offered to each applicant or insured.

TDP-004 is applicable to TDP-1 and TDP-2

TDP-005 is applicable to TDP-3

Example: TDP-3 policy with a 50% limit of liability for Mold or Other Fungi: Policy limits of \$100,000 Coverage A (Dwelling), \$60,000 Coverage B (Personal Property) if applicable, and \$20,000 Loss of Use will have mold or other fungi limits of \$50,000 Coverage (A) Dwelling, \$30,000 Coverage B (Personal Property) if applicable, and \$10,000 Loss of Use for loss caused by mold or other fungi.

***NOTE:** Current insureds shall be offered the Mold or Other Fungi Endorsement upon the first policy renewal after the effective date of this rule without having to make a request.

Optional Endorsements

A. through O. (No Change)

**Endorsement No. TDP-004A
Effective**

EXHIBIT H

**Dwelling Amendatory
Mandatory Endorsement
(Applicable to Forms TDP-1 and TDP-2 only)**

GENERAL EXCLUSIONS, Exclusion 7. is added to read as follows:

7. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the dwelling on the described location wholly or partially untenantable, the \$5,000 coverage includes payment for fair rental value, meaning the fair rental value of that part of the dwelling on the described location usually rented to others by you, less any expenses that do not continue. Fair rental value is only available if Endorsement No. TDP-017 (TDP-1 only) or TDP-018 (TDP-2 only) is attached to the policy and shown on the declarations page.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable dwelling coverage form. However, the amended language must be incorporated into the dwelling coverage form on or before _____ at which time this endorsement, TDP-004A, will automatically be withdrawn.

**Prescribed by the Texas Department of Insurance
Endorsement No. TDP-004A – Dwelling Amendatory Mandatory Endorsement
Effective**

EXHIBIT I

**Endorsement No. TDP-005A
Effective**

**Dwelling Amendatory
Mandatory Endorsement
(Applicable to Form TDP-3 only)**

GENERAL EXCLUSIONS, Exclusion 1. g. is amended to read as follows:

- g. We do not cover loss caused by:
- (1) wear and tear, deterioration or any quality in property that causes it to damage or destroy itself.
 - (2) rust or rot.
 - (3) dampness of atmosphere, extremes of temperature.
 - (4) contamination.
 - (5) rats, mice, termites, moths or other insects.

We do cover ensuing loss caused by collapse of building or any part of the building, water damage or breakage of glass which is part of the building if the loss would otherwise be covered under this policy.

GENERAL EXCLUSIONS, Exclusion 1. m. is added to read as follows:

- m. **MOLD OR OTHER FUNGI.** We do not cover loss caused by or resulting from mold or other fungi.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

We do cover ensuing mold or other fungi loss caused by water damage if the water damage loss would otherwise be covered under this policy.

However, the most we will pay for ensuing mold or other fungi caused by covered water damage is limited to the necessary and reasonable expenses up to \$5,000 to remediate, repair or replace covered property damaged by mold or other fungi.

If ensuing mold or other fungi caused by covered water damage makes the dwelling on the described location wholly or partially untenantable, the \$5,000 coverage includes payment for:

- (1) additional living expenses, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living, and
- (2) fair rental value, meaning the fair rental value of that part of the dwelling on the described location usually rented to others by you, less any expenses that do not continue.

Our limit of liability for ensuing mold or other fungi losses caused by covered water damage is \$5,000 for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

Remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

This is additional insurance and does not reduce any limit(s) of liability under the policy.

Instructions

An insurer may discontinue the use of this endorsement when the amended language outlined above has been incorporated into the applicable dwelling coverage form. However, the amended language must be incorporated into the dwelling coverage form on or before _____ at which time this endorsement, TDP-005A, will automatically be withdrawn

**Prescribed by the Texas Department of Insurance
Endorsement No. TDP-005A – Dwelling Amendatory Mandatory Endorsement
Effective**

**Endorsement No. TDP-004
Effective**

**EXHIBIT Q
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Forms TDP-1 and
TDP-2 only)**

GENERAL EXCLUSIONS, Exclusion 7. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage A (Dwelling) and/or Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. **FAIR RENTAL VALUE.** If a loss caused by mold or other fungi covered under item 1. above makes the dwelling on the described location wholly or partially untenantable, we cover fair rental value, meaning the fair rental value of that part of the dwelling on the described location usually rented to others by you, less any expenses that do not continue.

The total limit of liability for fair rental value is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for rental value coverage is not limited by expiration of this policy.

Fair rental value is only available if Endorsement No. TDP-017 (TDP-1 only) or TDP-018 (TDP-2 only) is attached to the policy and shown on the declarations page.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

**Endorsement No. TDP-005
Effective**

**EXHIBIT R
MOLD OR OTHER FUNGI ENDORSEMENT
(Applicable to Form TDP-3 only)**

GENERAL EXCLUSIONS, Exclusion 1. m. contained in the policy is amended to the extent coverage is provided by this endorsement.

For an included additional premium, the limit of coverage for ensuing mold or other fungi is increased (above the \$5,000 that is included in the policy) by the limits of liability shown on the declarations page.

COVERAGE

1. **MOLD OR OTHER FUNGI.** We do cover the necessary and reasonable expenses to remediate, repair or replace covered property described in Coverage A (Dwelling) and/or Coverage B (Personal Property) for loss caused by ensuing mold or other fungi resulting from water damage if the water damage loss would otherwise be covered under this policy.

The maximum limit of liability for this coverage is shown on the declarations page. This is not additional insurance and does not increase the limit of liability for Coverage A (Dwelling) and/or Coverage B (Personal Property).

2. **LOSS OF USE.** If a loss caused by mold or other fungi covered under item 1. above makes the dwelling on the described location wholly or partially untenantable, we cover:
 - a. additional living expense, meaning any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.
 - b. fair rental value, meaning the fair rental value of that part of the dwelling on the described location usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use is included in the maximum limit of liability for this coverage as shown on the declarations page. The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to remediate, repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

3. **LOSS SETTLEMENT.** Our limit of liability for ensuing mold or other fungi losses covered under items 1. and 2. above is the most we will pay for the sum of all losses regardless of the number of losses that occur during the policy period stated on the declarations page.

For the purpose of this endorsement, remediate means to treat, remove or dispose of mold or other fungi as required to complete repair or replacement of covered property damaged by ensuing mold or other fungi caused by covered water damage, including any testing to detect, measure or evaluate mold or other fungi.

All other terms of the policy apply.

EXHIBIT U

Texas Personal Lines Manual

HOMEOWNERS SECTION

VI. RATING RULES

O. Mandatory Offer Endorsements for Mold or Other Fungi

Coverage for Mold or Other Fungi is available with limits of liability for 25%, 50%, and 100% of the limits applicable to Coverage A (Dwelling) if applicable, Coverage B (Personal Property), and Loss of Use.

1. Homeowners Policy Forms HO-B or HO-C: The premium for the Mold or Other Fungi endorsements HO-162 and HO-163 shall be determined by applying the applicable corresponding percentage for the selected amount of coverage to the basic premium.

<u>Territory</u>	<u>Percentage of Policy Limits</u>		
	<u>25%</u>	<u>50%</u>	<u>100%</u>
<u>1, 8</u>	<u>33%</u>	<u>44%</u>	<u>54%</u>
<u>2, 3</u>	<u>12%</u>	<u>17%</u>	<u>20%</u>
<u>4, 7, 12, 14, 15C, 15N, 16C, 16N, 16S, 17, 18, 19C, 19N, 20</u>	<u>8%</u>	<u>11%</u>	<u>13%</u>
<u>5, 13</u>	<u>21%</u>	<u>29%</u>	<u>35%</u>
<u>10, 11</u>	<u>42%</u>	<u>57%</u>	<u>70%</u>
<u>6, 9</u>	<u>49%</u>	<u>66%</u>	<u>81%</u>

2. Homeowners Policy Form HO-A: The premium for the Mold or Other Fungi endorsements HO-161 shall be determined by applying 10% of the applicable corresponding percentage for the selected amount of coverage for HO-162 and HO-163 to the basic premium. **Exception:** If homeowners policy form HO-A is written with policy endorsement HO-170, the factors in paragraph 1 apply to the total HO-A premium.

3. Homeowners Tenant and Condominium Policy Forms HO-BT, HO-CT, HO-B-CON, or HO-C-CON: The premium for the Mold or Other Fungi endorsements HO-164, HO-165, HO-166 and HO-167 shall be determined by applying the applicable corresponding percentage for the selected amount of coverage to the basic premium.

<u>Territory</u>	<u>Percentage of Policy Limits</u>		
	<u>25%</u>	<u>50%</u>	<u>100%</u>
<u>All</u>	<u>8%</u>	<u>13%</u>	<u>18%</u>

The additional premium charge for the Mold or Other Fungi Endorsements shall not be reduced when the Windstorm, Hurricane and Hail Exclusion Agreement Endorsements HO-140 or HO-140B are attached.

EXHIBIT V

Texas Personal Lines Manual

DWELLING SECTION

VI. RATING RULES

L. Mandatory Offer Endorsements for Mold or Other Fungi

Coverage for Mold or Other Fungi is available with limits of liability for 25%, 50%, and 100% of the limits applicable to Coverage A (Dwelling), Coverage B (Personal Property), and Loss of Use for Additional Extended Coverage and Physical Loss Form.

- 1. Dwelling Policy Forms TDP-2 or TDP-3:** The premium for the Mold or Other Fungi endorsements TDP-004 and TDP-005 shall be determined by applying the applicable corresponding percentage for the selected amount of coverage to the basic premium for Additional Extended Coverage and Physical Loss Form if applicable.

<u>Territory</u>	<u>Percentage of Policy Limits</u>		
	<u>25%</u>	<u>50%</u>	<u>100%</u>
<u>All</u>	<u>32%</u>	<u>51%</u>	<u>70%</u>

- 2. Dwelling Policy Form TDP-1:** The premium for the Mold or Other Fungi endorsement TDP-004 when attached to a Dwelling Policy Form TDP-1 shall be determined by applying the applicable corresponding percentage for the selected amount of coverage to the basic premium.

<u>Territory</u>	<u>Percentage of Policy Limits</u>		
	<u>25%</u>	<u>50%</u>	<u>100%</u>
<u>All</u>	<u>2%</u>	<u>3%</u>	<u>4%</u>

The additional premium charge for the Mold or Other Fungi Endorsements shall not be reduced when the Windstorm, Hurricane and Hail Exclusion Agreement Endorsements TDP-001 or TDP-001A are attached.

EXHIBIT Y

Page 1 of 3

CODING SECTION
PREMIUMS AND LOSSES

18. ZIP CODE

The 5 digit ZIP Code of each risk must be reported. Report Plus 4 if available.

19. BUILDING CODE CREDITS (TWIA ONLY)	CODE
Seaward - New Structure Built to New Code	01
Seaward – Retrofitted Structures	02
Inland I - New Structure Built to New Code	03
Inland I - New Structure Built to Higher Standards than New Code	04
Inland I – Retrofitted Structures	05
Inland II – New Structure Built to Higher Standards than New Code:	
Built to Inland I Standard	06
Built to Seaward Standard	07
Inland II – Retrofitted Structures	08
Not Applicable	09

20. LAW AND ORDINANCE COVERAGE	CODE
No Additional Law and Ordinance Coverage is attached to policy. (other than the mandatory \$5,000 provided in the policy)	0
10% Additional Law and Ordinance Coverage Purchased	1
15% Additional Law and Ordinance Coverage Purchased	2
25% Additional Law and Ordinance Coverage Purchased	3
Other Approved Limits Purchased	4

<u>21. MOLD COVERAGE ENDORSEMENT</u>	<u>CODE</u>
<u>No additional mold coverage is attached to policy (other than the mandatory \$5,000 provided in the policy)</u>	<u>0</u>
<u>25% of policy limit endorsement purchased</u>	<u>1</u>
<u>50% of policy limit endorsement purchased</u>	<u>2</u>
<u>100% of policy limit endorsement purchased</u>	<u>3</u>
<u>Other approved limits purchased</u>	<u>4</u>

EXHIBIT Y

Page 2 of 3

RESIDENTIAL RISKS
PREMIUMS

COLUMNS	CODES	TYPE OR DESCRIPTION
83 (ROOFCOV) – Cont.	L	Recycled Roofing Products
	M	Single Ply Membrane
	N	Other
	O	Metal (specific type unknown)
84-88 (ROOFCRED)		ROOF COVERING PREMIUM CREDIT AND YEAR OF INSTALLATION (yyyy = year) (Code “voluntary” roof premium credits under Optional Credits. Report only roof coverings meeting UL2218, or other such standards approved by TDI, here)
	00000	None – No Credit Applicable
	1yyyy	Class 1 Credit + yyyy
	2yyyy	Class 2 Credit + yyyy
	3yyyy	Class 3 Credit + yyyy
	4yyyy	Class 4 Credit + yyyy
89 (COSMETIC)		EXCLUSION OF COSMETIC DAMAGE TO ROOF COVERINGS ENDORSEMENT
	0	Endorsement is not attached to policy
	1	Endorsement is attached to policy
90	*	SKIP
91-99 (ZIP)		ZIP CODE
	*	Code the 9-digit ZIP Code for each risk. The first five digits are mandatory. Report Plus 4 if available
100	P	TAPE REPORTING Premium
101		<u>MOLD COVERAGE ENDORSEMENT</u>
	0	<u>No additional mold coverage is attached to policy (other than the mandatory \$5,000 provided in the policy)</u>
	1	<u>25% of policy limit endorsement purchased</u>
	2	<u>50% of policy limit endorsement purchased</u>
	3	<u>100% of policy limit endorsement purchased</u>
	4	<u>Other approved limits purchased</u>
102-105		<u>MOLD COVERAGE ENDORSEMENT PREMIUM</u> <u>(this premium should also be included in fields 59-62, 67-70, and 76-79 as applicable)</u>
106-133	*	SKIP
134-135 (BCC)		BUILDING CODE CREDIT (TWIA ONLY)
	01	Seaward - New Structure Built to New Code
	02	Seaward – Retrofitted Structures
	03	Inland I - New Structure Built to New Code
	04	Inland I - New Structure Built to Higher Standards than New Code
	05	Inland I – Retrofitted Structures Inland II - New Structure Built to Higher Standards than New Code:
	06	Built to Inland I Standard
	07	Built to Seaward Standard
	08	Inland II – Retrofitted Structures
	09	Not Applicable

EXHIBIT Y
Page 3 of 3

RESIDENTIAL RISKS
LOSSES

COLUMNS	CODES	TYPE OR DESCRIPTION
90-91		CAUSE OF LOSS
	05	Fire – Internal Source
	10	Fire – External Source
	15	Fire – Unknown Source
	20	Lightning – No Fire
	35	Smoke
	25	Windstorm
	30	Hail
	33	Explosion
	40	Aircraft and Vehicles
	45	Riot and Civil Commotion
	50	Vandalism and Malicious Mischief
	55	Collapse
	60	Discharge – Damage to Slab or Foundation
	61	Discharge – Other Damage
	70	Freeze – Damage to Slab or Foundation
	71	Freeze - Other Damage
	75	Burglary, Theft, Robbery
	80	Other – Physical Damage
	90	Other – Liability and Medical Payments
92 (ROOFACV)		ACTUAL CASH VALUE FOR ROOF ENDORSEMENT Report forms that are ACV (including roof covering) by design as “0”
	0	Endorsement is not attached to policy
	1	Endorsement is attached to policy
93-97 (DEPREC)		DIFFERENCE IN ACTUAL CASH VALUE AND REPLACEMENT COST
	*	(Example: Replacement costs of a roof with a like product is \$3,000. Actual Cash Value of existing roof is determined to be \$2,500. Report difference of \$500 here.)
98-99	*	SKIP
100		TAPE REPORTING
	L	Loss
<u>101</u>		<u>MOLD COVERAGE ENDORSEMENT</u>
	<u>0</u>	<u>No additional mold coverage is attached to policy (other than the mandatory \$5,000 provided in the policy)</u>
	<u>1</u>	<u>25% of policy limit endorsement purchased</u>
	<u>2</u>	<u>50% of policy limit endorsement purchased</u>
	<u>3</u>	<u>100% of policy limit endorsement purchased</u>
	<u>4</u>	<u>Other approved limits purchased</u>
<u>102</u>		<u>MOLD CLAIM</u>
	<u>0</u>	<u>Claim did not involve mold remediation</u>
	<u>1</u>	<u>Claim did involve mold remediation</u>
1043-133	*	<u>SKIP</u>

Texas Personal Lines Manual
HOMEOWNERS SECTION
Exhibit W

VII. Rating Examples

Example of Homeowners Policy with Mold and Other Fungi Endorsement
Example #8

Assumptions: HO-B Brick Veneer Territory 9 PPC 6 Flex +5%

Coverage A (Dwelling)	\$100,000
Coverage B (Personal Property)	60,000
Deductible Clause 1	Excluded
Deductible Clause 2	\$250
HO-101 (Replacement Cost)	Attached
HO-135 (Increased Cost of Construction - Building Laws)	10%
HO-140 (Windstorm, Hurricane and Hail Exclusion Agreement)	
HO-162 (Mold or Other Fungi Endorsement)	25%
Base Premium	\$239.000
	<u>x 1.100</u>
Protection/Construction Factor	\$262.900
Amount of Insurance Factor (with increased Coverage B)	<u>x 4.886</u>
Basic Benchmark Premium	\$1,284.529
Flex Factor	<u>x 1.05</u>
Basic Premium	1,349
Deductible Clause 1 (Excluded)	+ -
Deductible Clause 2 (15% of Basic Premium)	+ 202
HO-101 (5% of Basic Premium)	+ 67
HO-135 (6% of Basic Premium)	+ 81
HO-162 (49% of Basic Premium)	+ 661
Total Premium	2,360

Basic Premium Reduction
Dwelling

		Personal Property
Dwelling Extended Coverage	\$165.00	\$35.00
Premium Chart		
Dwelling Extended Coverage	x 2.312	x 2.278
Territory Multiplier		
 Subtotal	 \$381.480	 \$79.730
Flex (HO-B Flex)	x 1.05	x 1.05
Gross Premium	\$400.554	\$83.717

		\$484.271
Dwelling and Contents Combined		
HO-140 (Primary Residence) Factor	x 0.98	
Indicated Reduction of Basic Premium	\$ 475	
70% of Basic Premium	\$ 944	
Premium Reduction of Basic Premium (min. of previous two lines)	\$ 475	

Replacement Cost Reduction (HO-101)

		\$83.717
Gross Premium	\$400.554	
Replacement Cost Surcharge	x 0.05	x 0.05
Subtotal	20.028	4.186

		\$24.214
Dwelling and Contents Combined		
HO-140 (Primary Residence) Factor	x 0.98	
Indicated Reduction of Replacement Cost Endorsement	\$ 24	
70% of Replacement Cost Endorsement	\$ 47	
Premium Reduction of Repl. Cost Endorsement (min. of previous two lines)	\$ 24	

Increased Cost of Construction - Building Laws Reduction (HO-135)

		\$400.554
Gross Premium		
Increased Cost of Construction - Building Laws	x 0.06	x 0.06
Subtotal		\$24.033
HO-140 (Primary Residence) Factor	x 0.98	
Indicated Reduction of Increased Cost of Construction-Building Law		\$24
70% of Increased Cost of Construction-Building Laws		\$57
Premium Reduction of Increased Cost of Construction-Building Laws (minimum of previous 2 lines)		\$24

Homeowners with HO-135, HO-140, and HO-162 Attached

		874
Basic Premium (Basic Premium - Premium Reduction)		
Deductible Clause 1 (Excluded)	+ -	
Deductible Clause 2 (no change)	+	202
HO-101 (Replacement Cost Surcharge - Premium Reduction)	+	43
HO-135 (Increased Cost of Construction - Building Laws)	+	57
HO-162 (Mold or Other Fungi Endorsement)	+	661
Total Premium		1,837

Example based on rates effective November 1, 2001